

I'm afraid I really must apologize for being late as I was. I finally ended-up walking across New York, but I was late getting out of Washington unfortunately it's sort of a disease down there when you once get into a meeting.

I'm very flattered to be here, but I also am very pleased to have the opportunity to be with you because I think it's so important that we maintain a close but quite proper relationship between American business and the American intelligence activities of our country. I think it is growing increasingly important as we look at the world around us and the new atmosphere in which we find ourselves both economically, politically and militarily. Because we have been moving, as I see it, in the last few years into a much greater sense of economic interdependence, we're finding in the intelligence business that it's trying to keep pace with that and that our activities are changing and I thought I'd like to describe to you some of the things that we're doing in the economic world because it's becoming a larger, <sup>and</sup> larger portion of our activities. It's something that we've been in all along but it's something that we're emphasizing much more today.

If I could, I'd like to run through some- a few of those as examples of things we have done and have been put out into the public arena, because behind it I think it's typical of changes that are coming over the intelligence activities of your country that are going to be quite marked and we'll relate to the kind of controls and oversight, which Bob has referred to in his remarks.

Let me go back to last March and with some concern, with Bud sitting on our left here, and talk about our energy study which was one of our public releases last March and was not as at sometimes been build, a prediction that the world was running out of oil, that the reserves were going to be inadequate to our needs. Rather, that study was a look into the mid-1980's only and what it really said was, we don't believe the world as a whole is going to be able to pump out of the ground as much of that golden fluid as the world is going to want to burn on the top. Now, we're not saying that that means in the long run that we're in great trouble it means in this short term at least, we predict a problem. There are ways around it, but there either conservation or pushing up of the prices, and we think it's one or the other or obviously some combination is almost inevitable, since I think I'm on grounds here Bud, that we are pretty well along developing wells today by 1985 we are not going to be getting a lot out of it. In short, people talk about the new vast reserves in Siberia and so on, and they may well be there but in this near term they are not going to solve the problem.

Next, in May we put out a study on the world steel situation, and again I speak with some trepidation here but our forecast or our prediction is that the present lack of utilization of capacity 78% United States, 72% Japan, 60% European economic community area, 48% in Sweden, is not going to go away the increase in demand around the world is not going to absorb that (somebody coughing) in particularly when we forecast the demands of the lesser developed countries for imports in the next 4 or 5 years is going to drop by about 60% because they are the ones that are building

more capacity today, and there is an excess on the overall world situation. Clearly, the South Koreans, the Mexicans and the Brazilians are going to not only use their own steel rather than importing, but those in some other countries are going to try to turn into exporters. So there is a problem here.

Later in the early summer we put out another study that might be of interest to lots of you here, and that's on international terrorism and we published this, tried to make it available to American businesses working overseas by giving it to the Department of Commerce and asking them to distribute it to people who might be interested. And unfortunately, as I'm sure you would understand we analyze the safest means of international terrorism, things like assassinations, arson and generally bombing incidents have all been on the way up. For instance, the number of bombing incidents has gone up 400% in the last 10 years. The number of arson incidents has gone up by 160% in the last year, and unfortunately, I would also have to predict or say that the statistics show that terrorists' incidents against US citizens and firms abroad has increased from 2 out of 5 such incidents in 1975 to 3 out of 5 today, we think it is going to be a continuing problem for many people like yourselves and your firms.

And also, then, in July under the aegis of the Joint Economic Committee of the Congress we produced a study on the prospects for the Soviet Economy in the decade ahead. This is something the CIA has studied over many years on a regular basis and previously the studies had all indicated

that we thought the Soviets were able to manage three things within their economic limitations. To continue their military build-up in their quest to have some kind of military parity with us; to make improvements, not radical improvements<sup>but improvements</sup> in the quality of their life, and to continue sufficient investments in their economy to keep it growing at a reasonable rate. Our current analysis indicates some startling changes to that. In fact, we believe the prospects of the Soviet economy today is probably more bleak than it has been any time since Stalin's death. Why? The formula on which the Soviets have been continuing their gains in productivity for many years has been to infuse greater and greater quantities of labor and capital and they are coming to a dead end here. For instance, on the labor side they had a very sharp decline in births in the 1960's, in the 1980's we think the rate of growth of their labor force will drop from 1.5% a year as it is today, to about a half-a-percent. And even within that growth a large part of it will come from central Asia where the people are just not amenable to migrating to the big cities. On the resources side again, this is not a group to have to expand on that about, but their having ~~difficulty~~ dip further into Siberia for iron ore, and refer to the energy study and one of the subsidiary conclusions in it is simply that the Soviets are in trouble in the future in the energy field in particular. That they are not developing reserves at the commensurate of production and the style of production that they are using, using excessive water-flooding is in fact going to diminish the reserves that they are going to get out of some of their distant fields.

Where does this leave us? Well, we think that we are not too far off, because if you look at the Soviet's own five-year plan, they do not forecast dramatic increases in the inputs of labor and capital, but strangely, maybe not strangely, they think productivity in their five-year plan predicts productivity continuing upward. But we fail to see the signs of the \_\_\_\_\_ that that would require or the signs of change in their economic doctrine which all of would agree is shackling them or signs in their ability to lighten the tremendous bureaucratic load, which again is an impediment to their economic situation. So we think instead they are going to face some difficult, pragmatic choices in the next few years. They will have to change the amount of manpower in their armed forces to help that problem, they can change the amount of investment in the armed forces, they can look carefully to their commitment to export 1.6B bbl a day to Eastern Europe for non-hard currency in exchange and they are going to have to look carefully at how they are going to obtain hard currency foreign exchange to continue the infusions of western technology into their economy that are one of the major things that is helping to make it grow at a reasonable rate today. An interestingly when they face these choices in a few years, it seems almost obvious that they may well be in the midst of a major leadership change and we all know that it is difficult to predict whether that will go smoothly or not, but I think that we can predict that it may be a difficult time to make difficult choices. Now, I don't want to cast too much gloom because despite

these situations the Soviets may make the right decision, they may accept the right sacrifices and they may come out quite well, maybe no major problem on the world scene, but I would suggest that the decisions they make and how they happen are certainly going to be of importance to you and to me. They are going to be important to us because of the change in their armed forces clearly has some major impact on how much we invest in our armed forces. The change in their export/<sup>in</sup>policy for oil for the Eastern European satellites could destabilize that part of the world with its implications for Western Europe and themselves. If they actually try to become a net importer of oil instead of an exporter as they are today, the impact on all of us is obvious. And if they enter the money market and try to borrow to make up for their inability to earn hard coin exchange, its going to be a difficult policy question for all of us in the western world as to how much we satisfy that need. Now, again, I don't want to suggest that we think we are revealing the future immutably and that we are 100 percent correct. What we are trying to do by bringing these facts, these studies and analysis out into the public forum is to help focus the national debate at least on the right questions. We are amenable to discussions as to where we have gone wrong. On the oil study for instance we had criticisms in the press and I wrote personally to the people who had sensible articles about us and when they wrote back and gave me more of their rationale<sup>invited</sup>, I/~~xxx~~ them all down to the CIA for a day and we had a marvelous exchange and it has helped us, because we know the weaker points now and we know where to focus our intelligence collection to see if the

projections are going off track and that is what we intended to do. I want to encourage this kind of dialogue and this is one of the characteristics that I think is new in the American intelligence community today. If you're surprised that we want more dialogue more debate, more interchange, more revelation of our information to the public, it's because that's not what intelligence professionals have traditionally done. The tradition in this profession is maximum secrecy. But as we move into greater emphasis in the economics field, it seems to me it is appropriate to share more. We can share more, it doesn't have to be quite as closely held as a military secret. Sharing more with the public, it seems to me is much more important in this area, because it can help the debate within our country much more. At least, we think that's the case. Well, now, don't let me exaggerate or over stress this. There is no way that we can conduct intelligence without a lot of secrets and we have no intention of opening up completely and we are doing a lot of things today to try to tighten the controls on our secrets. I would suggest that one of them is in fact this process of opening up where we can't. (?) can? In short, Winston Churchill said, when everything's classified secret nothing is secret. My hope is that when we declassify what can be declassified we will learn better to protect what remains. You have so much that is classified and clearly there is too much in our government today, people simply don't respect what's there. And then you come to things like, a problem I've had on my hands with the newspapers in the last few weeks - a man named Snapp, who's written a book he failed to clear it with us. Now, that I would suggest gentleman is the residue from

Watergate, from Ellsberg that we cannot tolerate much longer.

In short, here is a man who takes it upon himself to decide what's to be released to the public and what is not. The logical extension of that is what? 215 million Americans become the judges of what should be held private and what should not be. I would say that we should now look at whether we have put Watergate enough behind us that we should begin to restore a modicum of confidence in our public servants, elected officials and people whom they appoint. Let me say that we don't ask you to take us just on faith, because over these last several years of investigation and inquiry into our intelligence business has been evolving not only this additional openness that I'm discussing but a greater sense of control to begin with, a greater sense of checks and balances within the system. Again, this is contrary to all the traditions of intelligence, which were not only maximum secrecy but minimum direction and oversight and control. Well, the problem is that it is clear that you can't have total oversight. You can't have all the newspapers, all the Snepps, all the Ellsbergs looking into what we are doing, because so much of what we do can't be done, if it's disclosed in public. But I think what we are evolving today is a surrogate process of public oversight. The first surrogate is the President of the United States, the second is the Vice President. I can assure you that each of them is taking a very active interest today in our intelligence activities. Each of them is dedicated to maintaining a strong intelligence capability. Each of them is being informed by me on a regular basis of what we are doing in the principal areas of the world. The second surrogate of public oversight are the two committees



of the Congress, the House Permanent Select Committee on Intelligence which was established last August and the Senate Select Committee on Intelligence which was established a year ago May. Each of those is now today, in my opinion, serving a very useful function. Other than the fact that I have to spend a lot of time up there which takes away from my work, like 2 hours and 45 minutes yesterday. Its very worthwhile, because as I exchanged with them yesterday on five or six topics some of them on how I'm running my business, all this publicity I have received about cutting people, throwing out these spies and everybody is objecting to this. Now I reported on that in detail to a dozen senators yesterday and I got good feedback from them. I got a senator from Indiana, Senator Lugar said boy I was out in Indianapolis and the headlines were all about you and the dirty things your doing in firing these people, he said, but you know, the public reaction in Indiana was thank God somebody is taking charge of the bureaucracy--and in short that kind of feedback, well that happened to be what I wanted to hear--is useful to me. But in addition, these committees do perform a real function of oversight. Within limits, I inform them of what we are doing. I say within limits because there are things that you have to separate from one side and the other, and there are limits within this large a group beyond which I cannot go. I can't tell you the name of an Agent, but nobody really asked me. But that's the simple case. There are other gradations, but I can assure you that I am keeping them well-enough informed that they have a good sense of oversight, and give me a good sense of direction. Also, they have their handle on my budget. So, it is a true oversight process, a useful one I think to them

and to the public. It does serve as a check and a balance in giving me some sense of control and yet I believe over the next two or three years Bob, we are going to work out, and I think it is going to take 2 or 3 years, a proper sense of balance in the amount of openness we want to have, the amount of secrecy we must maintain on the one hand, the amount of oversight and control the nation needs in order to be reassured that this very dangerous but necessary thing called secrecy is not abused. And the amount of initiative and risk taking that is inherent in my business, and that I must be able to do if the country is going to have the kind of intelligence service that is not only preserved but I believe is fundamental. Because what we do in intelligence does have a future bearing on the future of our country, and perhaps moreso in an age of military parity, political equality of a sort everybody votes the same in the United Nations, economic interdependence. You have to be smarter under these circumstances. Our successes are the country's successes, our failures are the things that endanger the country and that is why in turn we need the understanding and the support of the public if we are going to do our job and do it well. That is why I'm grateful for your interest and your concern and your willingness to hear me today.

Thank You.

- Q. Let's just take the event of the Russian submarine down in <sup>the</sup> Pacific. Now we obviously located that submarine, we did it through                      which was supposedly secret or technical magazines put it out back when I was down there. Then we had the Glomar Explorer come out and sort of flow out with some of the things you might or might not have been able to accomplish. That kind of thing is very, very worrisome to me, because it seems we gave up the capability and told the Russians a hell of a lot more than we'd like to know about them that we shouldn't let them know. Would you mind commenting on that as a specific case, or how that applies generally?
- A. I think it is very injurious to our interests when the technical capability and operation like that is disclosed in the press, as it was, and there is just no excuse for that. We not only lost an edge we had but as you well know, we lost the opportunity to continue that operation or others with that equipment. The equipment has been put in mothballs now because there is some public revulsion against going out and picking up something off the bottom of the ocean because it belongs to the Soviet Union. I really don't understand why that was such a dirty thing to have done. I think it was a tremendous technical achievement. Having been done Bob, that is, having been blown into the press I have opened the door a little bit more in telling about it because we are getting all the bad side of this story and nobody's telling the good side. The thing is a sort of fait accompli. But let me tell you for instance, I don't think I was introduced to anyone here from the TRW company, but you read in the press a year ago that we discovered 2 young spies, 2 young men inside the TRW communications system and they fed out information on one of our technical information systems that cost you and me probably a billion dollars or some such figure. We have a system that was marvelous and the innards of it have now been disclosed. I have, as a result, become very tough on our relations with industry and I double the inspection course and I've gone out myself and told the Aerospace industry who work with us that when we find violations in our inspections I'm going to take away the security clearance of the plant, until such time as I not only know that the specific things have been corrected but the attitudinal change has come. I found one plant, not TRW, when we walked in for an inspection we found 50 safes in a room and all of them were set on the same combination. Well, you know that doesn't make common sense to a 9th grade school kid. What bothers me was that it was not going to lead the Russians into the safes but that nobody cared. So we are trying really to spike up on that kind of thing but it's not easy.

Q. Are you having more and more trouble finding people to work for you? Not only in this country.

A. Those are two quite different things. In this country its, the answer is no. But I will say we are getting less out of the prestigious universities than we used to, and we'd like to not emphasize those, but we'd like to have our share of them. But the general recruiting is good and surprisingly it stayed up on the college campuses except, as I say for a few, despite all the criticism. When Mr. Snepp published his book surreptitiously, through Random House the other day, the very next day we got a telephone call from one of our foreign agents a man who is a spy for us working against his own country on our behalf, and he said thanks just the same, this is the last call. So it is a problem, it's hrd to measure and tell you we've had a 20% loss in this kind of activity. You just can't tell if you walk up tomorrow and say how about it, and he remembers Hussein and he remembers Snepp and he remembers these revelations and he knows in many cases his life is on the edge. ~~xxxxxxxf-manpower~~  
-----how-large-is-the-Agency?--Well,-I'm-really-not-allowed-to  
-----disclose-that---S--

Q. In terms of manpower, how large is the Agency.

A. Well, I'm really not allowed to disclose that.

Q. Someone told me once there is not such thing as an indiscreet question, only an indiscreet answer -- so don't answer.

A. I would say, that it is a large agency of the government. You have to remember that we do several things. We go out and collect clandestine information. We spy. There have been spies since Jericho, there will be spies until the end of civilization, I suspect, and that is one whole function, we collect information. We participate in the Central Intelligence Agency in our technical collection. system collecting signals intelligence and so on. But the Central Intelligence Agency also has a major analytic or you should really call it a research effort. It's a very large organization, it takes the clandestine information from both the technical and human side and melds it together and comes up with estimates and evaluations for the policy makers. And, of course beyond that we have a scientific and technical organization that helps develop equipment for all this so we have to have a big administration ~~xxxx~~ communications organization. So its an extensive operation.

Q. Admiral, the British have had a secrets act for some time. Why wouldn't we support one like that here?

A. I don't think it would be acceptable to our country and our sense of values. And I'll say to you that the British secret act is up for revision over there. It would obviously help my business in one sense. Let me say to you also there are

some really positive benefits, both to the openness and to the oversight, and since we are off the record I'll be quite frank with you. The CIA has made some mistakes in the past, they have been exaggerated and many of them that have been labeled mistakes have been misunderstandings in the public mind. But there's no question that opening people's mail, testing people with drugs unknowingly are mistakes. And I would say that one of the reasons there have been these mistakes is that there has not been oversight, and an official secrets act almost makes it impossible to have that kind of inquiry. In short, my predecessors did not have the leverage of congressional and strong executive branch oversight to help them wield the power in the Agency. That may sound strange, but you look at the fellow and you only have one choice if he doesn't do the job the way you want. In the old days, you either fire him or not. I think there was a lack of responsiveness, they were more independent within their little baronies within the Agency. Today, you can't do that we've got to go tell Senator So and So, and it actually is a tool in my hand, it's surprising, but it is.

- Q. I was going to ask what the facts are behind these discharges or firings or whatever you want to characterize the one's that occurred abroad that were put in there. I only know what I read in the paper and that isn't very accurate most of the time.
- A. No, it isn't very helpful in this case. Let me defend myself a little bit without wasting too much of your time on it. Shortly after I arrive at the Agency I began to hear that we were grossly overstaffed and I found that after a very short time it was a universal perception, and I still have not found one person in the Agency today who disputes the fact that we needed to have a reduction. I thought it was particularly critical to have a reduction because we have such capable people. In a normal bureaucracy if you have a lot of second-raters and their underworked and over-managed they are not too unhappy. But these people, I really say to you are as fine, quality, dedicated, capable, bright people that you will find anywhere. I'll really put them up against your businesses, my Navy, anywhere else. I'm very serious about that, they are just first class people, and I don't think I could maintain the morale nor can I motivate the 30 year-Olds, the 25 year-olds to stay with this organization if we are not going to utilize them well. So, I found that 430 more 820 positions are going out but 1250 people are going out. And the reason the others are going out is so there will be a promotion opportunity for those who remain and that's what's made it painful. We've taken as much of the cut as we could by attrition, but in point-of-fact it was

really just this promotion flow that forced us to take it by forcing people out. It's unpleasant. It's like a football coach with too big a roster and the limits have come down on him and there is nobody he wants to lose. This part of the Agency is half as large as it was 15 years ago, before Vietnam, it's still not too small. It was oversized then but we were doing a lot of covert action then, we are not doing that today. We are not assassinating people we are not overthrowing governments and a lot of other things, because that's not what the country wants, and I believe in that. Let me last say that all the cuts are taken in the Headquarters, it's as a overhead, fat cut. We have not taken the people out of the overseas stations. Now what you read in the newspapers about Chief of Stations, yes, individuals are leaving overseas, but they will be replaced. But 820 people will be leaving the headquarters and there will be nobody coming in to those offices. We'll weather it because they are such good people.

Q. Admiral is the problem of electronic surveillance....inaudible

A. Electronic surveillance really is microwave intercept, our communications systems our telephone systems. Yes, it is a threat. The government has known about it for several years and has had a program on-going to lessen the threat. Washington, New York, and San Francisco were taking the government communications on the cable, reverting back, and that will be completed within the year or less. So the Soviets are more inclined to pick up commercial activity but they are concentrating on the military commercial fields, and we are doing several things there, we are warning the industries, we are encouraging and helping finance improvements to the telephone systems which will have the effect of encryption. In Chicago today when you dial the number the number goes over a cable and the message goes over a microwave. Very difficult for the other side to work on that. See what they do is to have a computer and it indexes to your phone number, if they are interested in you. That's how they sort out from this great mass of material that's coming through to use it, that has nothing to do with what we are benefiting from it, but we are encouraging the telephone company to move there. When you call on an overseas call and you talk as I am talking now, Bob's conversation fills the void, the pauses in my conversation. (People have been saying that for a long time) And simply, more of that kind of technical thing that jumbles it all up when it's in the transmission, it's obviously scrambled on the other end. We don't see evidence of their targeting your and my home, I say that collectively, that is the average American citizens home, private telephone conversations, we don't think they are interested, but we think and we are pursuing and trying to help industry over the long run to develop encryption devices that will take this whole microwave system and make it private.

But this is of course a much bigger problem than the Soviets. You must know much more about industrial espionage than I do. You must have read in the newspapers that when the hijackers were flying into Mogadisho with a German chase plane with a rescue party team on it behind it, a man was sitting in Israel listening in his apartment, a cripple and he heard all the conversations between Frankfurt and the German chase plane and put it out on the radio in Tel Aviv before the Germans landed to capture the hijackers that they were coming. We almost blew the operation through this very kind of thing, fortunately we clammed that one up, and it got only one one radio broadcast, it was just headed for the television station when somebody got wise. This is 6 hours before they captured the terrorists. It's a problem for everybody, because so much goes into the air today and it hasn't in the past.

- Q. Stan when you talk about covert operations, we're not doing any. I really get worried that \_\_\_\_\_ inaudible It seems to me to go through intelligence \_\_\_\_\_ is to go through millions and millions of useless pieces of information, and all of a sudden you find one thing here and one thing there and you put it together and it comes out meaningfully---, what worries me is some of that stuff is so necessary and the minute you give it to somebody in congress they blast their brains out, can you comment on that.
- A. We've had some problems with leaks in the Congress, sure. I wouldn't say that I thought the leaks from Congress were any greater than the ones from the Pentagon, the State Department or other offices of the Executive Branch. Among other things, we are, I believe beginning to get all the procedures well-established in the Congress on what must be done to keep things secret. I think we can work there. You'll find that the leaders are very responsible, although there may be some individuals underneath them who are not.
- Q. Admiral, where do you find the best intelligence outside the United States?
- A. You mean, who else does the best intelligence work? The British still are first rate, probably a closer collaboration with them than anybody. We've got friends in Canada who have a small operation, but their good in their field. The thing about intelligence today, as far as foreign countries are concerned, is it's really getting down to us and the Soviet Union in many areas, because the technical systems are so complex, so costly, I mean when you talk about a computer system that can pick up telephone numbers, you don't do this on small change. So, well this country can have a good ~~espionage~~ espionage system, we have all the other things
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that go with it, and today even the human espionage system gets tied in with the photographic system, the signals intelligence systems, all the technical systems you have to play this use that nasty word synergism, you see one thing in a picture and you tell the spy go find out about it, the spy tells you I think something is going on over here, you turn the pictures on it, you turn the signals intelligence on it--you work with this coordinated operation so it has become increasingly difficult for a country without this technical equipment to have the quality of intelligence that we or the Soviets do.

Q. Admiral Turner the other side of the question he just asked and I suppose you'd answer it in terms of, are the Soviets good at their job?

A. Yes, I think they have two shortcomings. One is they are not as good technically they are not as advanced, and the other is what you do with the product of the material you collect, the research. I would only suggest that in a closed autocratic society it's more difficult to do good independent research, it's more difficult to come forward with estimates and opinions that are contrary to the policy makers' decisions or desires than it is in our country. So, there strength is in the human espionage, they are very big on it, they are increasingly in this country because today there are so many more opportunities for Soviets to come here, and they are more sophisticated than they were 25 years ago. They can meld in, they don't know when, they are going to be a Soviet. I gave a speech to some Washington businessmen last night, and there's a fella there from the Soviet embassy. You know, I wasn't saying anything classified but I gave them much of what I said to you today about the Soviet economy and there's a fellow sitting there taking notes.

AudienceComment. I hope he was nodding his head yes.

Q. Admiral one of the nightmares of terrorists access to nuclear weapons, would you care to comment on the ~~xxxxxxx~~ extend of the danger there?

A. We have no indication that anybody is close to that today. I think it's one of the reasons the President is so strong on using the possibility of nuclear proliferation with the limited number of countries who have the weapons today we have to hope their security is reasonably good. We are very active in the US intelligence community in the terrorist business, it's another whole field that we have never been in before. We work very hard to keep abreast of threats of that type or any other type.

Q. Do you get any cooperation from the Soviets in this area?

A. No ~~Approved For Release 2001/11/22 : CIA-RDP80B01554R002700320001-1~~ but I don't have any lack of



cooperation, that is, we haven't really gone to them with something. But one encouraging thought is that there is tremendous cooperation among the western europeans and the Japanese and American intelligence communities in this area. Really, it has long term benefits because it will spill over. The other question is -whether; -tee-

is technically whether a terrorist gets his hands on a weapon he can find a way to use it to extort what he needs, or whether we'll be able to, largely by penetration of their activities through human sources keep abreast enough of that to prevent it. We do work very actively to find out what's going on with these different terrorists groups around the world and have been successful, styming and preventing quite a few terrorist operations in the short time I've been here.

Q. Inaudible

A. I ~~wouldn't say~~ wouldn't say that ours is as finely honed as theirs at this point, but we are not far away we're working on it, in that direction and very consciously. We played a role in that operation and some of our information was fed right back into the Germans as fast as we would get it during that whole dramatic 3 or 4 days there. We'd get a clue here, somebody else would get a clue there and it all fused into Bonne. My man there was acting as a catalyst. I can't say we pulled it off at all, but I can say our input to it was very important and very much appreciated by the Germans.

Q. Admiral, do we have fully developed contingency plans in the event some of these groups even took the step of publicly proclaiming they had such a weapon and were prepared to use it?

A. I think the honest answer to that is no. But I think we have the organizational structure to deal with it on an ad hoc basis. I'm not sure we could write a plan for it but it's a good point.

Q. I was just thinking of the confusion they could cause in the nation, just to claim such a thing even though you had the facts.

A. Of course you ask yourself how are they going to use this very terrible weapon and you can't rule out almost anything. Yet, on the other hand, if their threat is to drop the bomb here in New York and you misjudge and they drop it, well, we have a major catastrophe on our hands, do you then go give them a zillion dollars, and maybe they have two and

maybe they can extort from you, but it's a difficult issue to gauge as to how they would actually play this to their advantage. Taking one person or 100 people on an airplane is one thing and holding a whole city hostage is another. It certainly is something we've got to keep working on.

